

73rd MORSS CD Cover Page

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712CD

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21-23 June 2005, at US Military Academy, West Point, NY

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Original title on 712 A/B: Global War on Terrorism Funding and Practice

Revised title: Cost of the Global War on Terrorism

Presented in (input and Bold one): (**WG-27**, CG____, Special Session ____, Poster, Demo, or Tutorial):

This presentation is believed to be:

UNCLASSIFIED AND APPROVED FOR PUBLIC RELEASE

| Report Documentation Page | | | | Form Approved OMB No. 0704-0188 | |
|--|------------------------------------|-------------------------------------|---|--|---------------------------------|
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| 1. REPORT DATE 23 JUN 2005 | | 2. REPORT TYPE N/A | | 3. DATES COVERED - | |
| 4. TITLE AND SUBTITLE Cost of the Global War on Terrorism | | | | 5a. CONTRACT NUMBER | |
| | | | | 5b. GRANT NUMBER | |
| | | | | 5c. PROGRAM ELEMENT NUMBER | |
| 6. AUTHOR(S) | | | | 5d. PROJECT NUMBER | |
| | | | | 5e. TASK NUMBER | |
| | | | | 5f. WORK UNIT NUMBER | |
| 7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) U.S. Government Accountability Office 441 G St., NW Washington, DC 20548 | | | | 8. PERFORMING ORGANIZATION REPORT NUMBER | |
| 9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES) | | | | 10. SPONSOR/MONITOR'S ACRONYM(S) | |
| | | | | 11. SPONSOR/MONITOR'S REPORT NUMBER(S) | |
| 12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release, distribution unlimited | | | | | |
| 13. SUPPLEMENTARY NOTES See also ADM201946, Military Operations Research Society Symposium (73rd) Held in West Point, NY on 21-23 June 2005. , The original document contains color images. | | | | | |
| 14. ABSTRACT | | | | | |
| 15. SUBJECT TERMS | | | | | |
| 16. SECURITY CLASSIFICATION OF: | | | 17. LIMITATION OF ABSTRACT UU | 18. NUMBER OF PAGES 31 | 19a. NAME OF RESPONSIBLE PERSON |
| a. REPORT unclassified | b. ABSTRACT unclassified | c. THIS PAGE unclassified | | | |

Cost of the Global War on Terrorism

Presentation for the Military Operations Research Society
Cost Analysis Working Group
June 2005

- DOD Global War on Terrorism (GWOT) Cost Reporting
- Per Capita Costs

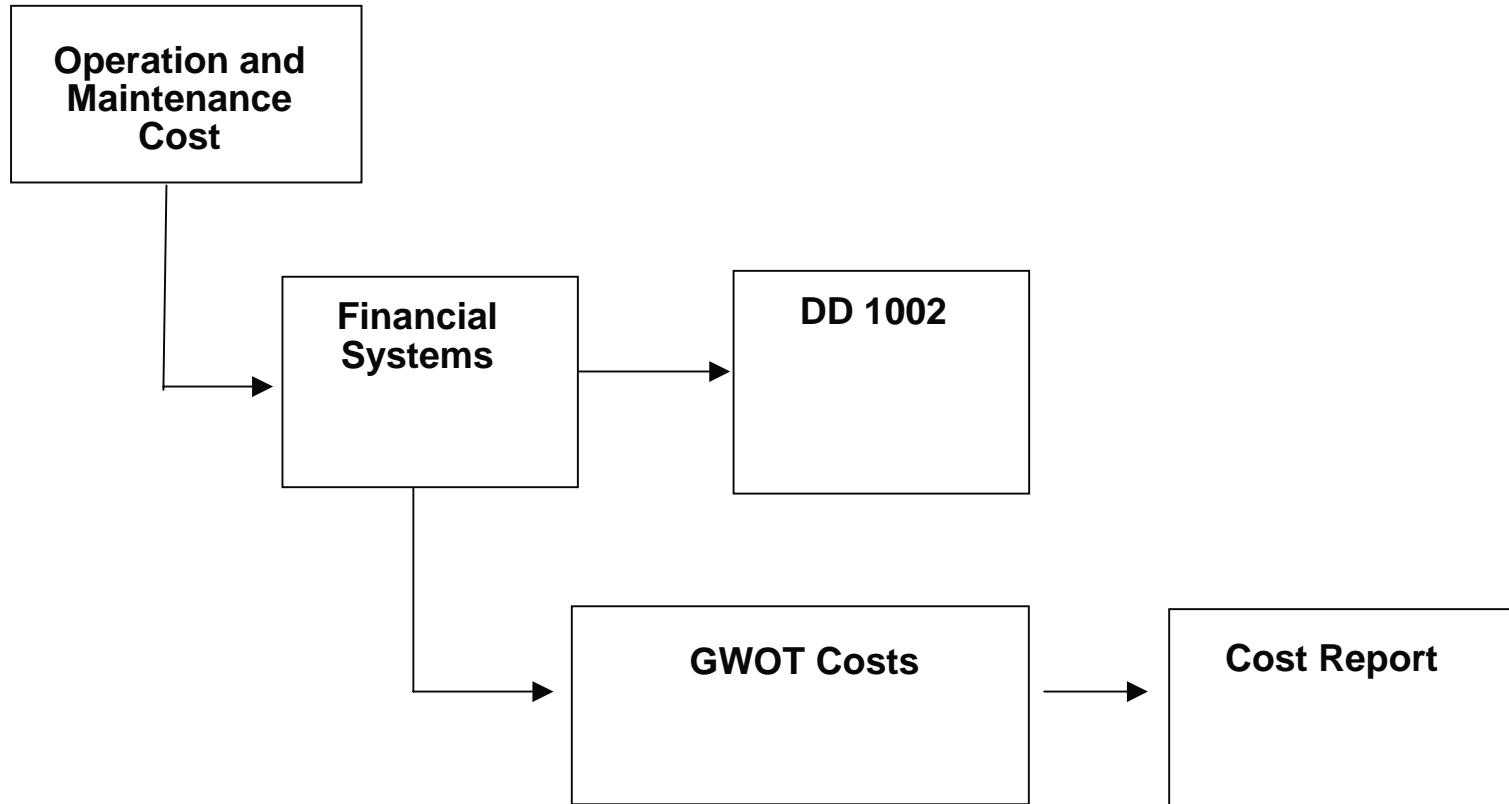
DOD GWOT Cost Reporting

Criteria for Obligating GWOT Funds

- Contingency funds are to be used to pay for “incremental costs.”
Defined as
 - costs that are directly attributable to the [contingency] operation that would not have been incurred if it were not for the operation and are above and beyond baseline training, operations, and personnel costs.
- Congress provides GWOT funding through supplemental appropriations which are provided directly into service appropriations accounts or in transfer accounts.
- Once in the service accounts, these funds can be spent on anything that falls within the scope or purpose of those accounts (e.g. personnel and operation and maintenance).

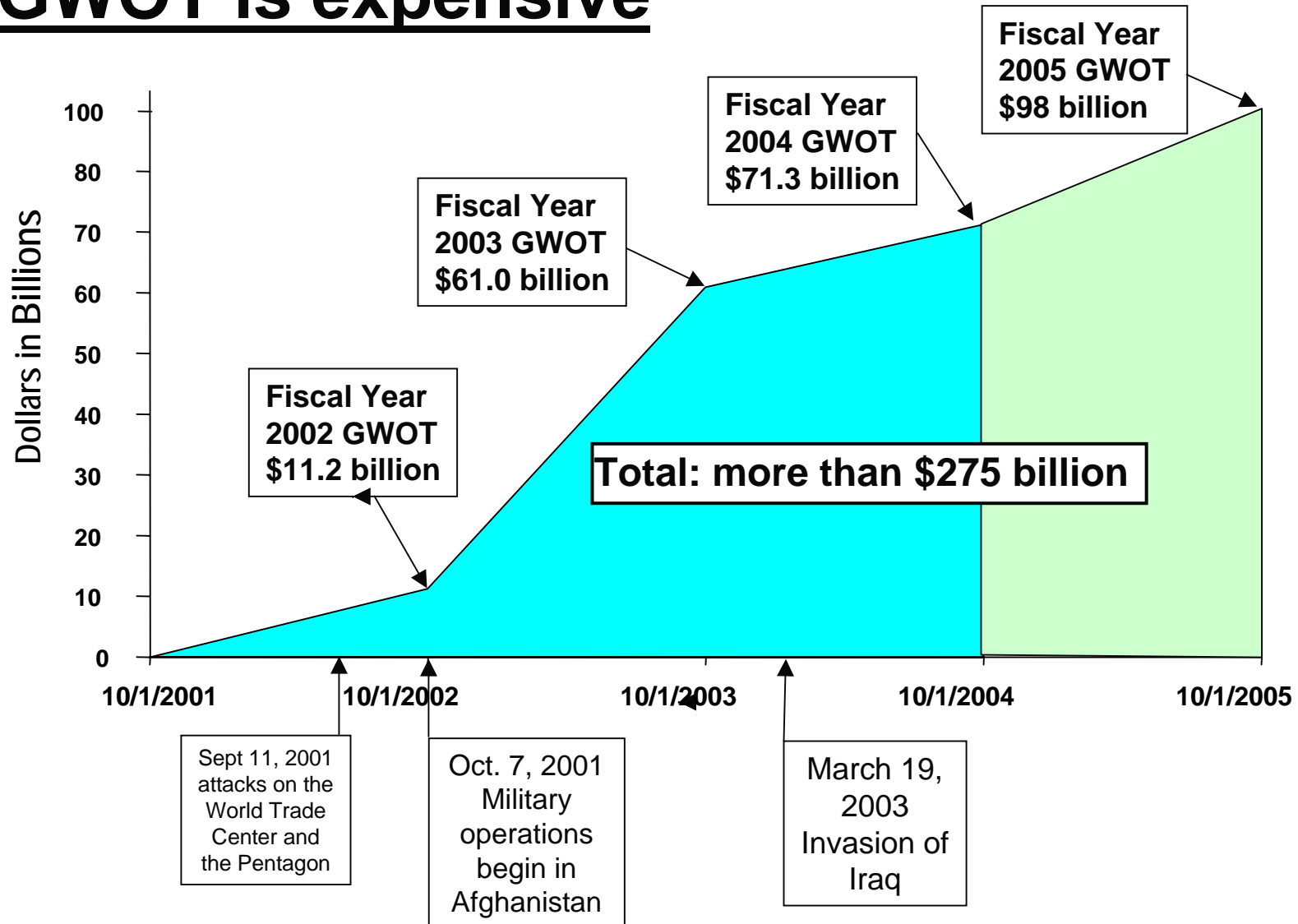
- GWOT obligations are incurred at dozens of locations.
 - Individual units for many purchases.
 - Major commands for large support categories such as airlift and logistical contracts.
- At these locations, obligation data is entered into service financial systems and, when deemed to be GWOT related, is coded as in support of GWOT.
- Data must be cross walked from service accounting categories to GWOT cost report categories.
- After initial data entry, GWOT obligations are rolled up to higher and higher levels of aggregation and ultimately reported into DOD's monthly terrorist response cost report (see following slides).
- Past work has shown that at higher headquarters levels there is little knowledge of what is being bought.

Simplified Version of How GWOT Obligation Data is Tracked and Reported



GWOT is expensive

GWOT Cost History
October 2001 – October 2005



- DOD reports on GWOT obligations monthly via the Supplemental and Cost of War Execution Report
- DOD uses a cost breakdown structure comprised of 6 overarching categories and 52 subcategories that are used for estimating and reporting costs of contingency operations. Costs are limited to those that are incrementally above and beyond baseline training, operational, and personnel costs.

1.0 PERSONNEL COSTS

4.0 TRANSPORTATION COSTS

2.0 PERSONNEL SUPPORT
COSTS

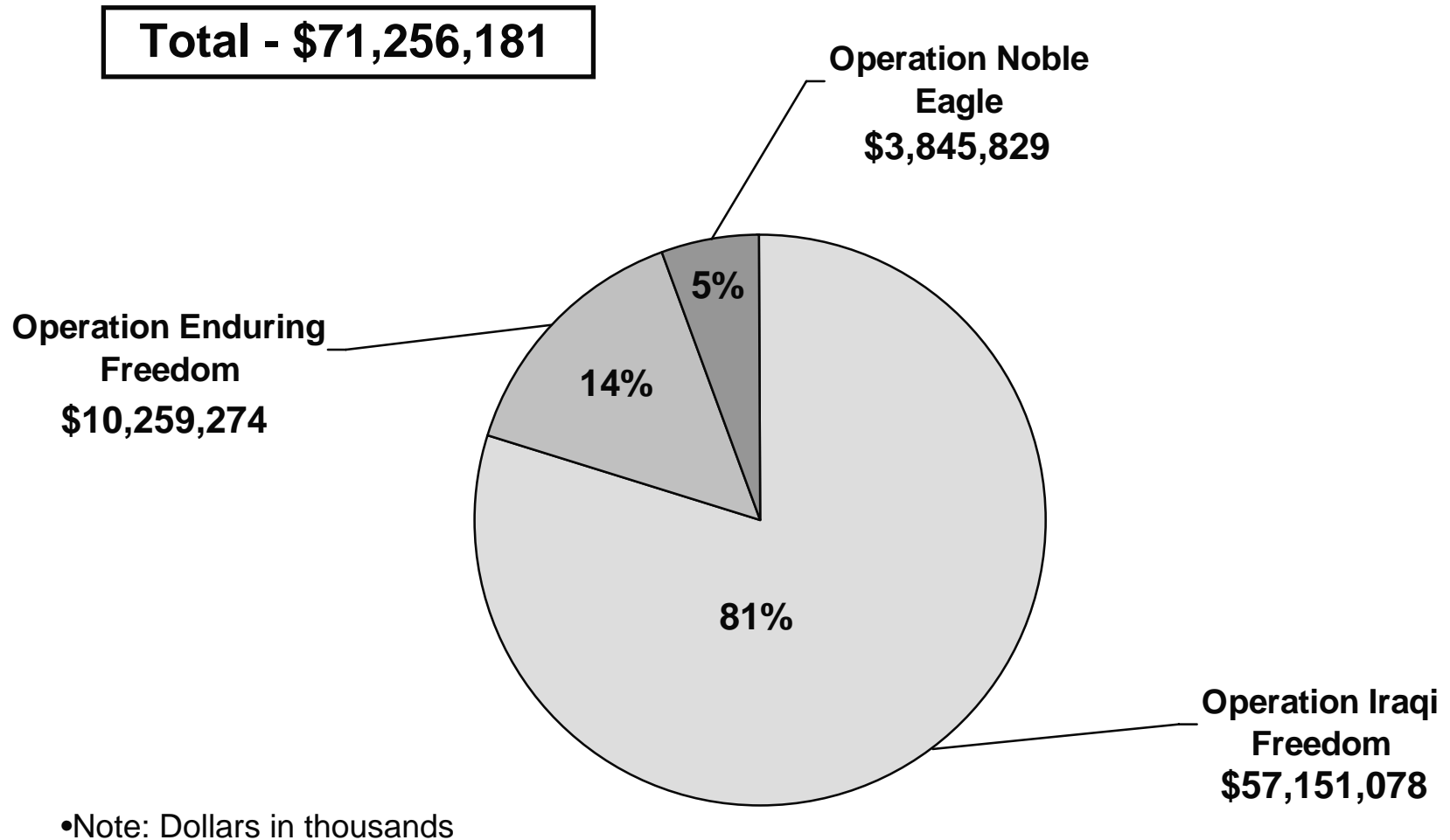
5.0 WORKING CAPITAL FUND
SUPPORT COSTS

3.0 OPERATING SUPPORT
COSTS

6.0 INVESTMENT COSTS

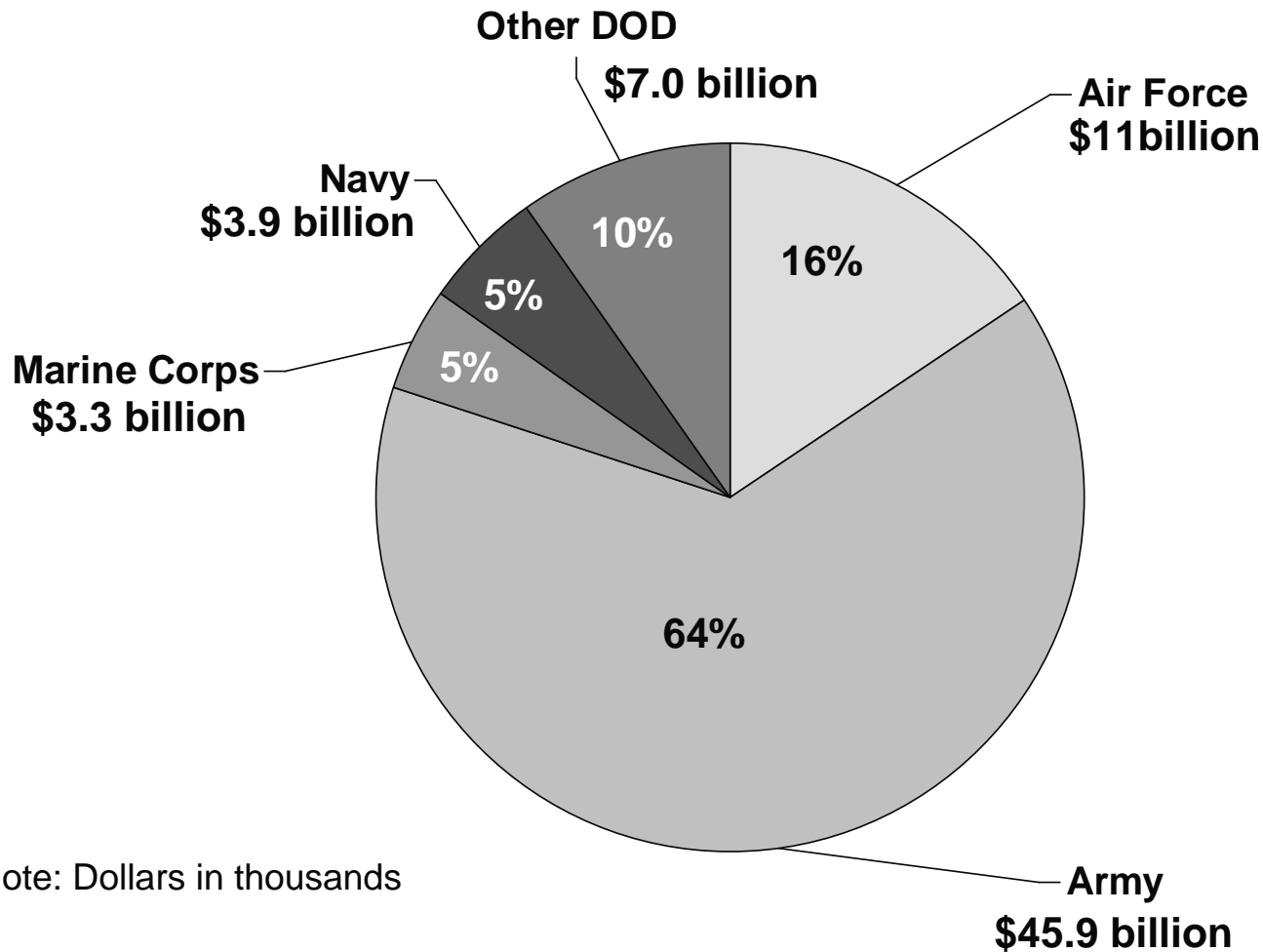
- GAO's work has identifying concerns about the reliability of the data in the cost report.
 - Based on financial management systems that have long-standing deficiencies.
 - Limited assurance that data are accurately recorded.
 - Problems identified with accurately recording military personnel costs.
 - Problems identified with operation and maintenance costs being placed in incorrect cost categories.
- Cost reports based on tens (if not hundreds) of thousands of transactions posted at dozens of locations, making it for all practical purposes impossible to reach an overall conclusion of magnitude of reporting errors.
- However, DOD's cost report is the only source of cost of war data, so it forms the basis for all GWOT cost analysis.

Total GWOT Obligations By Operation Fiscal Year 2004



Total GWOT Obligations by DOD Organization Fiscal Year 2004

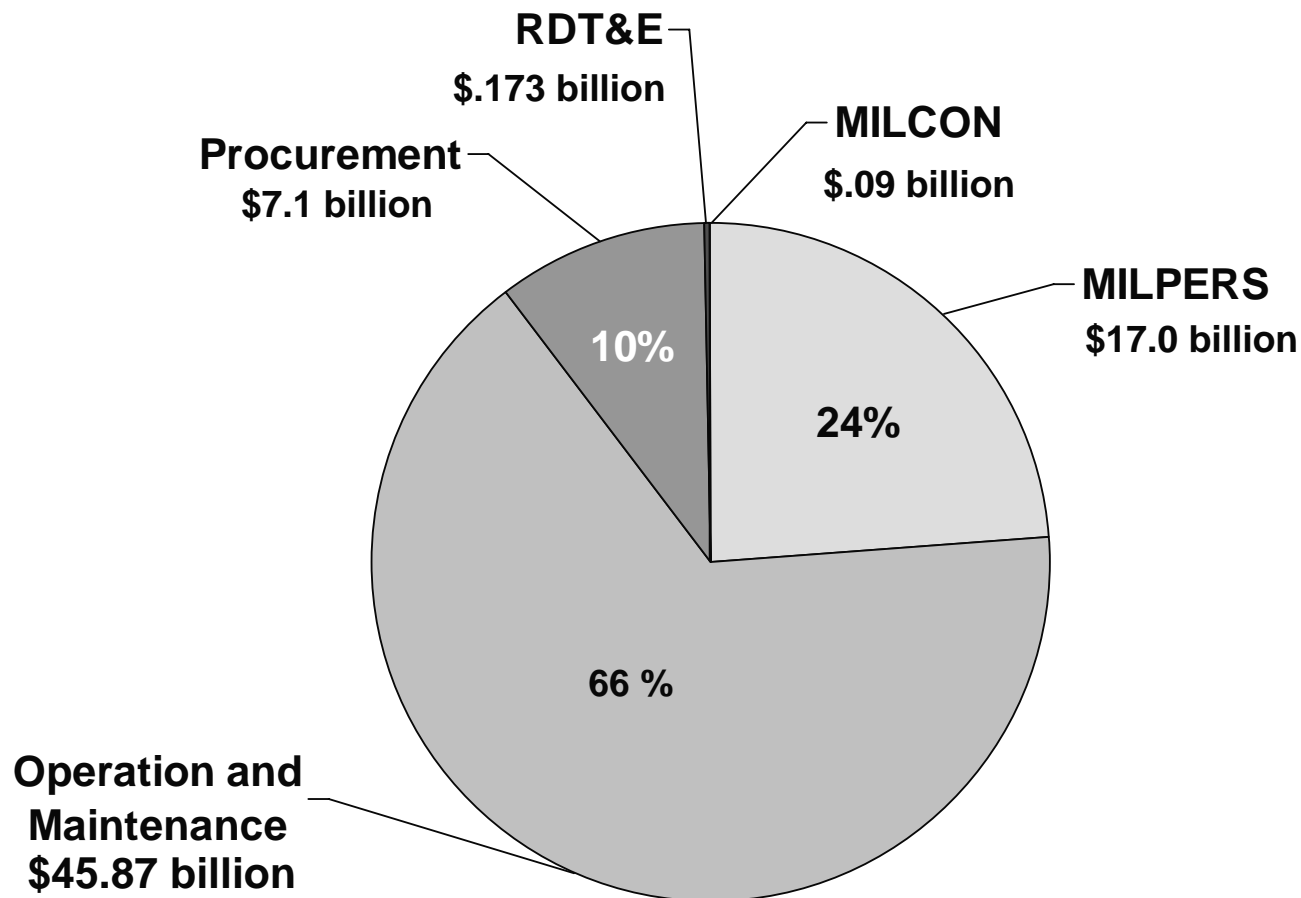
Total - \$71,256,181



•Note: Dollars in thousands

Total GWOT Obligations by Appropriation Account Fiscal Year 2004

Total - \$71,256,181



DOD GWOT Cost Reporting

FY 2004 Cost Details

Overview of Items Bought

- DOD is purchasing a vast array of goods and services to meet the needs of the Global War on Terrorism. Within the Army, for example:
 - Some very large obligations for key support.
 - LOGCAP
 - Transportation
 - Thousands of smaller purchases that add up to billions of dollars ranging from
 - Spare parts and other items obtained through the Army supply system
 - Building and furnishing the equivalent of small towns across Iraq
 - Buying and leasing vehicles
 - Procuring IT equipment, including
 - computers and related equipment
 - Video Television Conference capabilities
 - Procuring a host of miscellaneous items, including
 - Plasma TVs and other audio-related equipment
 - MWR items such as unit coins, T-shirts, and recruiting items
 - Field equipment such as knives, specialty packs, hand-held radios, holsters, and weapons slings

Terrorism Cost Response Report

DOD Totals – September 2004

TERRORIST RESPONSE COST REPORT (REVISED)

DoD TOTALS

REPORT PERIOD - as of September 30, 2004
(Incremental Costs in Thousands of Dollars)

DoD Totals

| | | | Monthly | Cumulative | |
|--|------------|------------|-----------|------------|--|
| 1.0 PERSONNEL COSTS | | | | | |
| 1.1 Military Personnel | | | | | |
| 1.1.1 Reserve Components Called to Active Duty | (277,591) | 8,815,940 | | | |
| 1.1.2 Imminent Danger or Hostile Fire Pay | 59,500 | 645,239 | | | |
| 1.1.3 Family Separation Allowance | 21,501 | 195,369 | | | |
| 1.1.4 Foreign Duty Pay | 12,103 | 168,681 | | | |
| 1.1.5 Subsistence | 920,471 | 2,495,709 | | | |
| 1.1.6 Reserve Component Predeployment Training | 0 | 0 | | | |
| 1.1.7 Other Military Personnel (MILPERS) | 540,958 | 4,697,946 | | | |
| Subtotal | 1,276,942 | 17,018,884 | | | |
| 1.2 Civilian Personnel | | | | | |
| 1.2.1 Civilian Premium Pay | 21,267 | 152,584 | | | |
| 1.2.2 Civilian Temporary Hires | 15,609 | 145,554 | | | |
| Subtotal | 36,876 | 298,138 | | | |
| TOTAL PERSONNEL | 1,313,818 | 17,317,022 | | | |
| 2.0 PERSONNEL SUPPORT COSTS | | | | | |
| 2.1 Temporary Duty (TDY)/Additional Duty (TAD) | 252,648 | 1,808,405 | | | |
| 2.2 Clothing & Other Equipment & Supplies | 183,547 | 1,683,195 | | | |
| 2.3 Medical Support/Health Services | 96,134 | 767,241 | | | |
| 2.4 Reserve Component Activation/Deactivation | (2,707) | 51,739 | | | |
| 2.5 Other Personnel Support | (56,813) | 282,256 | | | |
| TOTAL PERSONNEL SUPPORT | 472,809 | 4,592,836 | | | |
| 3.0 OPERATING SUPPORT COSTS | | | | | |
| 3.1 Training | 22,429 | 212,316 | | | |
| 3.2 Operation OPTEMPO (Fuel, Other POL, Parts) | (414,306) | 7,838,122 | | | |
| 3.3 Other Supplies & Equipment | 992,211 | 5,373,337 | | | |
| 3.4 Facilities/Base Support | 245,616 | 9,395,194 | | | |
| 3.5 Reconstitution | 605,610 | 4,779,640 | | | |
| 3.6 C4I | 182,665 | 1,269,444 | | | |
| 3.7 Other Services/Miscellaneous Contracts | 692,362 | 7,030,838 | | | |
| TOTAL OPERATING SUPPORT | 2,326,587 | 35,898,891 | | | |
| 4.0 TRANSPORTATION COSTS | | | | | |
| 4.1 Airlift | 142,607 | 2,820,838 | | | |
| 4.2 Sealift | 28,385 | 922,897 | | | |
| 4.3 Ready Reserve Force/Fast Sealift Ships | (10,199) | 0 | | | |
| 4.4 Port Handling/Inland Transportation | 30,534 | 919,276 | | | |
| 4.5 Other Transportation | (331,091) | 1,415,326 | | | |
| TOTAL TRANSPORTATION | (139,764) | 6,078,337 | | | |
| TOTAL CONTINGENCY COSTS | 3,973,450 | 63,887,086 | | | |
| TOTAL COSTS BY APPROPRIATION | | | Monthly | Cumulative | |
| Military Personnel | | | 1,276,942 | 17,018,884 | |
| Operation and Maintenance | | | 2,696,508 | 46,868,202 | |
| Working Capital Fund | | | 532 | 1,981 | |
| Investment | | | 328,336 | 7,367,114 | |
| Other | | | 0 | 0 | |
| GRAND TOTAL | | | 4,302,318 | 71,256,181 | |
| | | | | | |
| 5.0 WORKING CAPITAL FUND SUPPORT COSTS | | | Monthly | Cumulative | |
| 5.1 Depot Level Repairables | 0 | 0 | | | |
| 5.2 Depot Maintenance | 26 | 424 | | | |
| 5.3 Nonflying Hours Spares (War Reserve Stock) | 0 | 0 | | | |
| 5.4 War Reserve Stock Secondary Items | 0 | 0 | | | |
| 5.5 Prepositioning Equipment Replacement (War Reserve Stock) | 506 | 1,557 | | | |
| 5.6 Prepositioning Munitions Replacement (War Reserve Stock) | 0 | 0 | | | |
| 5.7 Battle Damage Repair | 0 | 0 | | | |
| TOTAL WORKING CAPITAL FUND SUPPORT | 532 | 1,981 | | | |
| 6.0 INVESTMENT COSTS | | | | | |
| 6.1 Procurement | | | | | |
| 6.1.1 Aircraft Procurement | (12,158) | 625,121 | | | |
| 6.1.2 Munition Procurement | 19,902 | 1,392,451 | | | |
| 6.1.3 Vehicle Procurement | 170,176 | 975,195 | | | |
| 6.1.4 Communication & Electronic Equipment Procurement | 21,138 | 1,186,121 | | | |
| 6.1.5 Other Procurement | 114,154 | 2,924,387 | | | |
| Subtotal | 313,212 | 7,103,275 | | | |
| 6.2 Research, Development, Test & Evaluation | | | | | |
| 6.2.1 Basic Research | 0 | 217 | | | |
| 6.2.2 Applied Research | 0 | 809 | | | |
| 6.2.3 Advanced Technology Development | 0 | 43,942 | | | |
| 6.2.4 Demonstration/Validation | 537 | 36,563 | | | |
| 6.2.5 Engineering Manufacturing Development | 0 | 3,822 | | | |
| 6.2.6 Management Support | 0 | 0 | | | |
| 6.2.7 Operational System Development | 1,400 | 88,182 | | | |
| Subtotal | 1,937 | 173,535 | | | |
| 6.3 Military Construction | | | | | |
| 6.3.1 Major Construction | 13,187 | 90,304 | | | |
| 6.3.2 Minor Construction | 0 | 0 | | | |
| 6.3.3 Family Housing (Construction) | 0 | 0 | | | |
| 6.3.4 Family Housing (Operation & Maintenance) | 0 | 0 | | | |
| Subtotal | 13,187 | 90,304 | | | |
| TOTAL INVESTMENT | 328,336 | 7,367,114 | | | |
| TOTAL WCF SUPPORT & INVESTMENT COSTS | 328,868 | 7,369,095 | | | |

**Fiscal Year 2004 GWOT
Obligations For Military Personnel,
Through September 2004**

| Military Personnel | |
|--|-------------------|
| 1.1.1 Reserve Components Called to Active Duty | 8,815,940 |
| 1.1.7 Other Military Personnel | 4,697,946 |
| 1.1.5 Subsistence | 2,495,709 |
| 1.1.2 Imminent Danger or Hostile Fire Pay | 645,239 |
| 1.1.3 Family Separation Allowance | 195,369 |
| 1.1.4 Foreign Duty Pay | 168,681 |
| Total | 17,018,884 |

**Fiscal Year 2004 GWOT
Obligations For Operation and Maintenance,
Through September 2004**

Operations and Maintenance

| | |
|--|-----------|
| 3.4 Facilities/Base Support | 9,395,194 |
| 3.2 Operation OPTEMPO (Fuel, Other POL, Parts) | 7,838,122 |
| 3.7 Other Services/Miscellaneous Contracts | 7,030,838 |
| 3.3 Other Supplies & Equipment | 5,373,337 |
| 3.5 Reconstitution | 4,779,640 |
| 4.1 Airlift | 2,820,838 |
| 2.1 Temporary Duty (TDY)/Temporary Additional Duty (TAD) | 1,808,405 |
| 2.2 Clothing & Other Personnel Equipment & Supplies | 1,683,195 |
| 4.5 Other Transportation | 1,415,326 |
| 3.6 C4I | 1,269,444 |
| 4.2 Sealift | 922,897 |

**Fiscal Year 2004 GWOT
Obligations For Operation and Maintenance,
Through September 2004 (continued)**

| Operations and Maintenance (cont.) | |
|---|-------------------|
| 4.4 Port Handling/Inland Transportation | 919,276 |
| 2.3 Medical Support/Health Services | 767,241 |
| 2.5 Other Personnel Support | 282,256 |
| 3.1 Training | 212,316 |
| 1.2.1 Civilian Premium Pay | 152,584 |
| 1.2.2 Civilian Temporary Hires | 145,554 |
| 2.4 Reserve Component Activation/Deactivation | 51,739 |
| 4.3 Ready Reserve Force/Fast Sealift Ships | 0 |
| Grand Total | 46,868,202 |

**Fiscal Year 2004 GWOT
Obligations For Procurement,
Through September 2004**

| Investment | |
|---|------------------|
| 6.1.5 Other Procurement | 2,924,387 |
| 6.1.2 Munitions Procurement | 1,392,451 |
| 6.1.4 Communication & Electronic Equipment Procurement | 1,186,121 |
| 6.1.3 Vehicle Procurement | 975,195 |
| 6.1.1 Aircraft Procurement | 625,121 |
| 6.3.1 Major Construction | 90,304 |
| 6.2.7 Operational System Development | 88,182 |
| 6.2.3 Advanced Technology Development | 43,942 |
| 6.2.4 Demonstration/Validation | 36,563 |
| 6.2.5 Engineering Manufacturing Development | 3,822 |
| 6.2.2 Applied Research | 809 |
| 6.2.1 Basic Research | 217 |
| Total | 7,367,114 |

DOD GWOT Cost Reporting

FY 2004 Army Central Command Cost Details

**ARCENT Total GWOT Obligations FY2004
by Cost Breakdown Structure**

| ARCENT TOTAL OBLIGATIONS FISCAL YEAR 2004 by COST BREAKDOWN STRUCTURE | |
|--|---------------------|
| Cost Breakdown Structure | ARCENT |
| 3.4 Facilities/Base Support | \$7,306,313 |
| 3.3 Other Supplies & Equipment | 3,220,899 |
| 3.2 Operations OPTEMPO (Fuel, Other, POL, Parts) | 2,844,005 |
| 3.7 Other Services & Miscellaneous Contracts | 888,540 |
| 4.1 Airlift | 792,607 |
| 4.2 Sealift | 668,729 |
| 4.4 Port Handling/Inland Transportation | 325,105 |
| 3.6 C4I | 255,346 |
| 2.3 Medical Support/Health Services | 158,573 |
| 2.2 Clothing and Other Personnel Equipment & Supplies | 143,571 |
| 2.1 Temporary Duty/Temporary Additional Duty | 111,518 |
| 1.2.1 Civilian Premium Pay | 4,188 |
| 4.5 Other Transportation | 823 |
| 2.5 Other Personnel Support | 21 |
| Total | \$16,720,238 |

Category: 3.3.0 Other Supplies and Equipment: Operating Support

Category:

3.3.0 Other Supplies and Equipment

| Sub-Category: | ARCENT |
|---|-------------|
| Combined Element of Resource Titles | |
| Repair Parts (Tactical Vehicle & Other) | \$1,649,748 |
| General Supplies & Equipment | 1,503,593 |
| Furniture (Recurring & Non-recurring) | 40,821 |
| Government Purchase Card | 21,176 |
| ADP Supplies | 4,133 |
| Test-Instrumentation | 62 |

Sample Data

| Element of Resource Summary Title: Repair Parts | Amount |
|---|-------------|
| Total Army Managed DWCF Items (DLR) | \$457,627 |
| Total DLA Managed DWCF T (NON-DLR) | \$413,947 |
| Total Non-DWCF/Local Purchases | \$328,884 |
| Total Army Managed DWCF Terms (NON-DLR) | \$326,952 |
| Total General Services Administration Managed Items | \$118,646 |
| Total Air Force Managed DWCF Items (NON-DLR) | \$1,937 |
| Total Navy Managed DWCF Items (NON-DLR) | \$1,608 |
| Total Navy Managed DWCF Items (DLR) | \$147 |
| Total: | \$1,649,748 |

We cannot obtain a deeper level of sample descriptions for items purchased. No variables within the Purchase Requisitions and Contractual Obligations database are coded with this EOR summary title within the category of repair parts.

| Element of Resource Summary Title: General Supplies and Equipment | Amount |
|---|-------------|
| Total Non-DWCF/Local Purchase Items | \$1,067,382 |
| Total DLA Managed DWCF T (Non-DLR) | 283,395 |
| Total DLA Managed DWCF Items (NON-DLR) | 66,253 |
| Total General Services Administration Managed Items | 56,737 |
| Total Army Managed DWCF Items (NON-DLR) | 17,139 |
| Total Army Managed DWCF Items (DLR) | 11,701 |
| Total Navy Managed DWCF Items (NON-DLR) | 525 |
| Total Air Force Managed DWCF Items (NON-DLR) | 429 |
| Total DLA Managed DWCF Items (DLR) | 25 |
| Total Air Force Managed DWCF Items (DLR) | 6 |
| Total Navy Managed DWCF Items (DLR) | 1 |
| Total: | \$1,503,593 |

| Sample Description (Top 15 Dollar Amounts) | Amount |
|--|----------|
| DFAC for FOB Ridgeway | \$24,329 |
| 250 KA Generators -- 1-33 FA | 7,855 |
| Field Ordering Officer | 6,870 |
| Field Ordering Officer | 5,411 |
| Field Ordering Officer-515TH FSB, 5BCT | 3,507 |
| Containerized housing units GEN 5000KW AND 200KW -- 4 ID FOB | 3,443 |
| General Supplies | 3,245 |
| 15,000 Laundry service for the division for the following compounds: Champion Base, Junction City, FOB Ridgeway, FOB Manhattan, FOB Chosin, FOB St. Michael, FOB Tiger, and FOB Buzz | 3,200 |
| General Supplies | 3,178 |
| FORCE PROTECTION FOR DIVISION -- 264 EN | 2,305 |
| External Fuel Tanks for Aviation | 2,243 |
| Force Protection | 2,108 |
| NTV extensions approved at JARB -- 1 ID G4 | 2,083 |
| (15) Self-contained MWR facility consisting of weight room TV?Movie room library/ game room | 1,998 |
| Gravel -Zone 6 | 1,937 |

Examples of no further visibility

Note: Dollars in thousands.

ARCENT FY2004: Total GWOT Obligations by Major Category

| ARCENT FY2004 GWOT Total Obligations | |
|---|---------------|
| Category | In Billions |
| Stock Fund | \$5.1 |
| Non Stock Fund | 4.7 |
| LOGCAP | 5.4 |
| Strategic Lift | 1.5 |
| Total | \$16.7 |

| Stock Fund Purchases: ARCENT FY2004 (dollars in thousands) | | |
|---|---|--------------------|
| Class of Supply | Description | Total |
| IX-G | Repair Parts (Ground) | \$2,695,356 |
| IX-A | Repair Parts (Air) | 980,475 |
| II/IV | Clothing & individual equipment; Construction materials | 726,036 |
| II/IV-PBO | Clothing & individual equipment; Construction materials | 337,662 |
| III | Fuel; POL | 143,414 |
| VIII | Medical items | 140,413 |
| IX-SARSS | Repair Parts | 79,680 |
| HAZMAT | Hazardous Materials | 989 |
| Total Stock Fund | | \$5,104,025 |

| ARCENT FY2004: Cost Breakdown Structure Strategic Lift (dollars in thousands) | | |
|--|--|--------------------|
| 4.1 Airlift | Air mobility command (AMC) SAAM/JCS and channel cargo | \$792,606 |
| 4.2 Sealift | Military sealift command (MSC) chartered cargo and military traffic management command (MTMC) liner ocean transportation | 668,729 |
| Total: | | \$1,461,335 |

ARCENT FY2004 Total Obligations by Country Location

| ARCENT FY2004 Total Obligations | |
|---------------------------------|-------------|
| Iraq | \$9,882,199 |
| Outside Iraq | 6,838,039 |
| Total \$16,720,238 | |



| ARCENT Total Obligations FY2004 by Country Location | |
|--|---------------------|
| Iraq | \$9,882,199 |
| Kuwait | 3,111,649 |
| USA | 2,224,554 |
| Afghanistan | 1,261,448 |
| Uzbekistan | 161,713 |
| Qatar | 57,409 |
| Saudi Arabia | 13,225 |
| Total | \$16,720,238 |

Note: Dollars in thousands.

DOD GWOT Cost Reporting FY 2005 Cost Projection

**Projection of FY2005 Actuals to Annual
Total Obligations**

| Dollars in thousands | October | November | December | January | February |
|----------------------|--------------|--------------|--------------|--------------|--------------|
| MILPERS | 1,341,087 | 1,282,760 | 1,275,487 | 1,214,244 | 1,292,151 |
| O&M | 5,958,029 | 3,453,572 | 2,904,081 | 5,883,913 | 4,015,909 |
| TOTAL | \$ 7,299,116 | \$ 4,736,332 | \$ 4,179,568 | \$ 7,098,157 | \$ 5,308,060 |

Source: February 2005 Supplemental & Cost Of War Execution Report

| | | | | | |
|----------------------|---------------|---------------|---------------|---------------|---------------|
| Rolling Average | \$ 7,299,116 | \$ 6,017,724 | \$ 5,405,005 | \$ 5,828,293 | \$ 5,724,247 |
| Full year projection | \$ 87,589,392 | \$ 72,212,688 | \$ 64,860,064 | \$ 69,939,519 | \$ 68,690,959 |

Per Capita Costs

Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF)
Average Cost Per Person for Fiscal Year 2004

| Dollars in thousands | MILPERS and O&M obligations | Per capita |
|----------------------|-----------------------------|------------|
| OIF | \$50,447,279 | \$266,917 |
| OEF | \$9,787,589 | \$543,755 |

Note: Calculation based on 189,000 personnel supporting OIF and 18,000 personnel supporting OEF, as of September 30, 2004

Observations

- Concerns with reliability of cost reports hamper cost analysis
- Large per capita costs raise questions about why GWOT is so expensive
 - Large disparity between OEF and OIF costs raises further questions
 - Is problem due to faulty cost reporting, significant differences in the two theaters, or other factors?
- More can be done to reduce costs without compromising mission
- There is much the MORS cost analysis community can do to both understand costs and seek ways to reduce them without comprising mission